

AVFA-CORDS-ODO

30 March 1971

MEMORANDUM FOR: Mr. E. Dean Turley,
Assistant to the Director, USAID, Saigon

FROM: Thomas A. Moser, Director
Office of Development Operations
CORDS, MR 2

SUBJECT: Review of Draft Survey Report - Rice Programming
and Movement/Distribution, MR 2

The Survey Report draft was received and has been reviewed at this headquarters. Mr. Edward Long, DEPCORDS, has asked me to send you these comments. I realize the time in which you asked the responses to reach you has passed but hope this review might still be of use.

The draft Survey Report on Rice Programming and Movement/Distribution II MR covers the significant aspects and points out the main problem areas involving rice.

What becomes obvious very quickly to anyone checking in to the handling of the rice trade is that it is a very complex matter and I wonder if it can be totally understood by someone such as ourselves who are not intimately involved and a part of the system.

During the course of the investigation by Mr. Richard Long, we had a thorough discussion at the beginning and at the end and he worked closely with some of the members of CORDS at headquarters and in some of the provinces so we already had some knowledge of his findings.

Though the report is good I will take advantage of the opportunity to make a few additional comments that might add an extra measure of information toward understanding the whole picture.

The provinces had very obvious inflated monthly import requirements, either done deliberately or by faulty estimates of production. This was shown in 1969 when imports amounted to about half of stated requirements and this went on for nine months before the supply of rice in the market got tight. Even then we don't know what might have been done by the merchants and/or province officials to create the mild crisis we had in several MR-2 provinces in late 1969.

In 1970 when the provinces were receiving their full-quota of rice each month it was difficult to find rice on sale at authorized dealers at the official price. Some dealers would put rice for sale in small amounts for short periods of time perhaps for one or two hours a day or a few hours in a week. The average citizen had to buy rice out of the "back door" of the same dealers at a price often more than double the official price.

The lesser populated provinces (Quang Duc and Phu Bon) have not made the transition from the previous credit system to the current cash and carry basis. The claim is that there are no merchants with sufficient capital to pay in advance. Arrangements to borrow money from ADB are underway to provide the necessary capital. It seems strange that the merchants that made the profits over the years when they collected cash for sales to customers but often delayed for months paying the GVN, were unable to find the necessary capital for the change to a pay in advance system.

There is one aspect of the new system that is unrealistic for a commercial operation and it should be resolved by the GVN. That is the requirement for the merchants to maintain an emergency stock level (generally 30 days). They are reluctant to keep that much money tied up in a stock of rice that is not moving. They have a legitimate complaint. If the GVN wants an emergency stock of rice they should expect to pay the cost and not have it passed on to the consumer as part of the market price.

There had been two or three provinces that had decreased their requirements but this was more than offset by increases in other provinces.

Some of the highland provinces had to bear extra costs. They were not always able to move the rice from dockside directly to the province so had to rent warehouse space for temporary storage and pay the additional handling and storage fees. Quang Duc had to offload into a government warehouse in Banmethuot and wait for the periodic opening of CL-14 from Banmethuot to Gia Nghia. The move from Banmethuot to Gia Nghia was by military convoy and ARVN was reimbursed by the province for the use of the military trucks.

There were indications that at the same time the CVN military in several provinces were claiming they were not able to get their authorized ration through their official channels, rice from ARVN Quartermaster stocks was being sold to merchants for further sale on the black market.

When the system changed to the present one where GSA is moving all rice from on board ship to the GSA warehouse and then issuing it to the provinces from there, several provinces have refused to accept some allocations by claiming that there was spoilage. When the provinces took their rice directly from the ship they accepted the risk that there would be some spoilage. Now GSA absorbs all spoilage that can be detected by observation-inspection in the MOF warehouse. There have been instances where large amounts of spoiled rice was kept in the GSA regional warehouses waiting disposal instructions. The process took several months to resolve.

It was not unrealistic for provinces to have a sliding scale for figuring requirements. It was often based on proximity to production. For the population in the province capital the requirement was placed at 12 to 15kgs per person per month. For the districts it might be 8 to 10 and for the villages 4kg. The rationale of this was obviously that the nearer a person was to the farm the easier it was to buy rice grown locally.

Exception is taken with one point in the text. It is the last sentence of the middle paragraph on page 5 where it states that the highlands have little or no agricultural production potential. This is not a fair evaluation. There is much excellent farm land in the highlands suitable for growing a wide variety of crops.

Why the whole rice picture didn't become a major scandal is a mystery. There were large diversions to the black markets. Immense unjustified profits were made and one would be tempted to conclude that collusion between CVN officials and the merchants had to be a factor, otherwise the public interest could not have been so blatantly abused for such a long time.

Hopefully these comments will add an additional measure of understanding to the complex matter of rice in MR-2.

LAWRENCE H. FLANAGAN
Special Aset for
Village Development
CORPS MR II Nhatrang